TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SB 568 - HB 621

March 10, 2015

SUMMARY OF BILL: Requires the General Assembly to enact any requirement imposed on a vendor providing service under the TennCare program. Requires the Bureau of TennCare to promulgate any rule imposed on a vendor pursuant to the *Uniform Administrative Procedures Act*.

Prohibits the Bureau of TennCare or a managed care organization (MCO) under contract with the bureau from imposing any requirements that affect a provider vendor's participation in TennCare or that affect the provider vendor's private rights, privileges, or due process, through either a contractual provision between the state and an MCO or a contractual provision between an MCO and a nursing facility provider. The bureau may impose these requirements only if they are set forth at the time of the contract within federal statute, rules, or formal guidance, state statutes, or state rules.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Exceeds $7,867,100

Increase Federal Expenditures – Exceeds $14,632,900

Assumptions:

- Currently, the Bureau of TennCare has authority to contract with MCOs and other providers to provide medical and behavioral health services to the program's eligible population. The Bureau has the authority to terminate or suspend existing contracts, refuse to enter into contracts with providers, and to recover any payments incorrectly paid.
- The provisions of the bill will limit the Bureau of TennCare's ability to revise current contracts with the MCOs and limit the MCOs ability to revise contracts with health care providers.
- The contracts between the Bureau of TennCare and the MCOs are amended at least semi-annually in recognition of the constant change in the health care environment. The capitation rates paid to the MCOs are based on the vendor's level of risk and the MCOs ability to control their costs through various provisions in subcontractor agreements.
- Based on information provided by the Bureau of TennCare, managed care trend reduction cost savings in FY14-15 are expected to be approximately $22,000,000 and were approximately $23,000,000 in FY13-14. The average annual savings are estimated

to be $22,500,000 [($22,000,000 + $23,000,000) / 2]. These savings would be jeopardized by the proposed legislation.

- Of the $22,500,000 in possible increased expenditures, the state will receive federal matching funds at a rate of 65.035 percent resulting in 34.965 percent being state funds.
- The increase in state expenditures is estimated to be $7,867,125 ($22,500,000 x 0.34965).
- The increase in federal expenditures is estimated to be $14,632,875 ($22,500,000 x 0.65035).
- It is unclear if the provisions of the bill will be applied retroactively or if current initiatives in the process of being implemented would be impacted. In 2013, the Governor proposed the Tennessee Payment Reform initiative which includes TennCare and the state sponsored employee health plan. If TennCare is not able to continue the implementation of the program because it was not enacted by the General Assembly, there could be additional costs. The Bureau of TennCare projects savings from the initiative in the amount of $10,000,000 ($3,496,500 state and $6,503,500 federal) in FY15-16.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Jeffrey L. Spalding, Executive Director

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